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16 AUG 1960

Honorable Maurice H. Stans  
Director, Bureau of the Budget  
Washington 25, D. C.

Dear Mr. Stans:

Attached is the report on estimated foreign intelligence costs for Fiscal Year 1959.

The scope of the cost estimates contained in the report covers those United States foreign intelligence activities that are subject to the coordinating authority of the Director of Central Intelligence and to the guidance of the United States Intelligence Board.

This report is to serve a purely statistical purpose inasmuch as costs can only be distributed into some of the functional categories by resorting to individual judgments which are subject to varying degrees of interpretation.

The cost estimates have been developed on the basis of actual obligations incurred during the Fiscal Year ending 30 June 1959 and derived from two basic types of cost data:

Direct Obligations: Those obligations actually incurred by an intelligence command, bureau or element thereof, or any comparable intelligence organization which actually performs the intelligence activity involved and can identify the related obligations. In essence, such obligations are those under the direct control of an intelligence organization or an intelligence element of a larger organization.

Indirect Obligations: Those obligations which appear in non-intelligence commands, bureaus, services, or other comparable

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organizations as a part of their own budget operations, but can be identified as being in support of an intelligence activity, e.g., Research and Development projects performed for foreign intelligence purposes.

The methods used by the departments and agencies in computing and reporting the cost estimates have varied; for example:

Naval and Air Force have included all their identifiable production and dissemination costs under the single heading of "Naval" and "Air" intelligence respectively.

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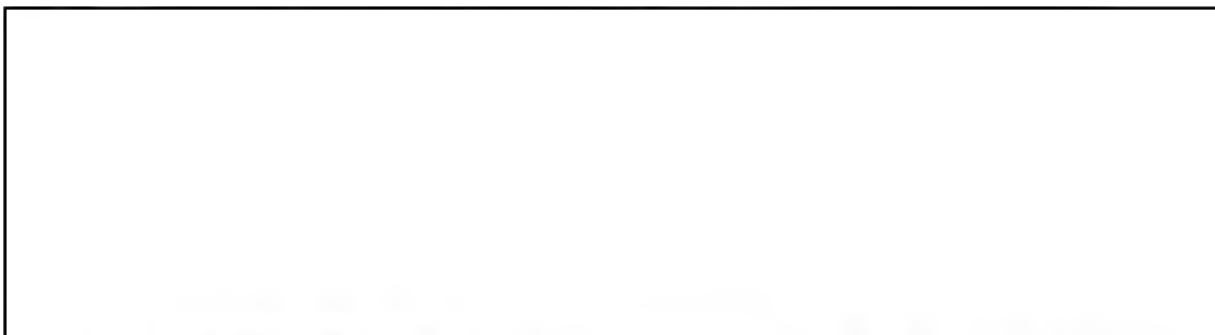
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The auxiliary items of Administration, Training, Communications, Security, Research, etc., are not segregated because costs of these items cannot be meaningfully related to State's "foreign intelligence" operation. That is, no meaningful proration of "training" costs, for example, can be determined as specifically applicable to "foreign intelligence" as separate and apart from other or regular Foreign Service operations. Further, overseas costs for such items as translation, "printing and reproduction," etc., in addition to being meaningless when related to "intelligence," could be developed only on an arbitrary and inaccurate basis.

The detailed figures which were developed and submitted by the participating Departments and Agencies were reviewed, summarized and incorporated in the attached report by the Cost Estimates Committee of the USIB. Members of the Committee are available to answer questions relative to the estimates submitted by their respective Departments and Agencies.

Arrangements for meetings, if desired, may be made through Edward R. Saunders, Chairman of the Cost Estimates Committee.

Sincerely,

SIGNED

Allen W. Dulles  
Director

Attachment

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